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Federal Communications Commission
Office of Secretary

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Implementation of the Pay Telephone	)	CC Docket No. 96-128
Reclassification and Compensation Provisions	)	
of the Telecommunications Act of 1996	)	

UNITED STATES TELEPHONE ASSOCIATION
PETITION FOR CLARIFICATION

The United States Telephone Association (USTA) respectfully submits its Petition for Clarification in the above-referenced proceeding. USTA is the principal trade association of the incumbent exchange carrier industry. Its members provide over 95 percent of the incumbent exchange carrier-provided access lines in the U.S.

On September 20, 1996, the Commission released its Report and Order (Order) in this proceeding which implements the pay telephone provisions of the Telecommunications Act of 1996. As contemplated by the Act, the Order generally provides for a transition to a fully competitive payphone market. However, USTA seeks clarification of several issues relative to the implementation of the Order.

While the Commission correctly provides for the removal of payphone costs from Carrier Common Line (CCL) charges, the actual instructions contained in the Order are unclear and, in some instances, incorrect. Given the complexity of this issue, USTA believes that clarification is required.

There is an inconsistency in the explanation of the calculation used to determine the exogenous cost amount and the resulting Price Cap Index (PCI) reduction. Order at paragraph 185. The methodology described in paragraph 185 requires affected local exchange carriers (LECs) to develop a "payphone cost allocator" equal to the Section 69.501(d) payphone costs as included in the 1995 ARMIS reports divided by the common line revenue requirement as reported in the 1995 ARMIS filing. Pursuant to the Order, each affected LEC must reduce its PCI for the common line basket by the payphone cost allocator minus one.

The Commission should clarify that any payphone line cost included in the Section 69.501(d) payphone costs be subtracted before the payphone cost allocator is calculated. The Order correctly specifies that payphone line costs are not to be reclassified and are not to be removed from regulated rates. Order at paragraphs 159 and 183. If the payphone line costs are not excluded from the payphone cost allocator, the entire payphone line cost recovery would be removed from the common line PCI rather than being transferred to the Subscriber Line Charge (SLC) on a revenue neutral basis as intended.

The Commission should also acknowledge that the PCI should be reduced by an exogenous cost amount calculated by multiplying the Common Line base period revenue by the payphone cost allocator, and subtracting from that amount any inmate payphone set cost already removed from the PCI. This is equivalent to multiplying the PCI in effect prior to the inmate payphone set cost removal by one minus the payphone cost allocator.[1]

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[1]See, Southwestern Bell Telephone Company August 20, 1996 Letter to Mr. William Caton Re: PCI Adjustments for Inmate-Only Pay Telephone Investment Reclassification (revising the common line PCI effective September 2, 1996).

Paragraph 187 concludes that the multi line SLC must apply to subscriber lines that terminate at both LEC and competitive payphones. This will increase SLC revenue, because some LEC payphones may currently be charged a single line SLC, and some are not charged a SLC. However, the Commission did not acknowledge the CCL rate reduction associated with this SLC application that will result from the existing price cap rules. The Commission should clarify that the application of SLC to payphone lines will be a price cap restructure that reflects the transfer of the cost recovery of payphone lines from the CCL rate to the SLC. This restructure would require a recast of the base period SLC demand and revenue to include the payphone lines previously not subject to the SLC and a transfer of any semi-public payphone lines previously charged the single line SLC from single line demand to multi line demand. The recast base period SLC revenue would then be processed through the Common Line price cap formula as the proposed revenue. The maximum allowable CCL rate would then be reduced to reflect the additional SLC revenue.

Paragraph 183 of the Order explains that LECs subject to the price cap rules must treat the required reduction in CCL charges to discontinue the recovery of payphone costs (excluding the network-connecting lines) as an exogenous cost change to the Common Line basket pursuant to Section 61.45(d)(1)(v) of the Commission's rules. The Commission should clarify that the price cap exogenous cost rule under which the removal of payphone costs qualifies as an exogenous cost is Section 61.45(d)(vi), which addresses "such tax law changes and other extraordinary cost changes as the Commission shall permit or require be treated as exogenous by rule, rule waiver, ro declaratory ruling."[2] Section 61.45(d)(1)(v), which addresses the reallocation of investment from regulated to nonregulated activities, has a very limited scope. This rule is limited to investment reallocations from regulated to nonregulated caused by usage forecast revisions pursuant to Section 64.901(b)(4).[3] No such forecast revision applies in this case.

USTA urges the Commission to adopt the clarifications requested above. These clarifications are necessary to reflect the intent of the Act and to ensure that the removal of payphone costs is carried out in an accurate and appropriate manner.

Respectfully submitted,

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[2] Id.

[3] See, Policy and Rules Concerning Rates for Dominant Carriers, 5 FCC Rcd. 6786 (1990) at paragraph 171.

CERTIFICATE OF SERVICE

I, David L. Anderson, do certify that on October 21, 1996 Petition for Clarification of the United States Telephone Association were either hand-delivered, or deposited in the U.S. Mail, first-class, postage prepaid to the persons on the attached service list.

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